

REBUTTAL TESTIMONY OF
ROBERT M. BLUE
ON BEHALF OF
DOMINION ENERGY, INC.
DOCKET NO. 2017-370-E

Q. PLEASE STATE YOUR FULL NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Robert M. Blue and my business address is 120 Tredegar Street, Richmond, Virginia 23219. I am Executive Vice President of Dominion Energy, Inc. ("Dominion Energy"), and President and Chief Executive Officer of the Power Delivery Group.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I filed direct testimony on behalf of Dominion Energy in Docket No. 2017-370-E on August 2, 2018.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to testimony offered by the South Carolina Office of Regulatory Staff ("ORS") witnesses Lane Kollen and Richard A. Baudino, Ronald J. Binz and Gregory M. Lander on behalf of the South Carolina Conservation League ("CCL") and the Southern Alliance for Clean Energy ("SACE"), and Steve W. Chriss on behalf of Walmart Stores East, LP and Sam's East, Inc. (collectively, "Walmart"). Specifically, I will respond to

1 concerns regarding operational matters associated with the proposed transaction
2 whereby the parent of South Carolina Electric & Gas Company (“SCE&G”),
3 SCANA Corporation (“SCANA”) will become a wholly-owned subsidiary of
4 Dominion Energy, including local presence and control, affiliate matters, customer
5 service standards, and proposals related to renewable energy, energy efficiency
6 measures and other matters. I will also respond briefly to the supplemental
7 testimony of ORS Witness Michael L. Seaman-Huynh.

8 **I. MAINTAINING LOCAL PRESENCE AND CONTROL**

9 **Q. ORS WITNESS KOLLEN ASSERTS THAT IT IS NOT CLEAR**
10 **WHETHER DOMINION ENERGY OR SCE&G WILL HAVE**
11 **RESPONSIBILITY FOR LOCAL MANAGEMENT. IF THE BUSINESS**
12 **COMBINATION IS APPROVED, WILL SCE&G RETAIN LOCAL**
13 **CONTROL OF ITS OPERATIONS?**

14 **A.** Yes. The Joint Applicants have committed that Dominion Energy will
15 maintain SCE&G’s headquarters in Cayce, South Carolina. Local control and
16 day-to-day operations will remain with SCE&G in Cayce. Moreover, Dominion
17 Energy plans to operate SCE&G in substantially the same way as it is operated
18 today. This incorporates the many commitments made by the Joint Applicants
19 that reinforce Dominion Energy’s intent for SCE&G to continue to run the
20 business as it does today with a focus on safety, reliability, customer service and
21 efficiency of business operations over the long term. As stated in the Joint
22 Application and my direct testimony, Dominion Energy will manage SCE&G

1 from an operations standpoint as a separate regional business under Dominion
2 Energy with responsibility for making decisions that achieve the objectives of
3 customer satisfaction, reliable service, customer, public, and employee safety,
4 environmental stewardship, and collaborative and productive relationships with
5 customers, regulators, other governmental entities, and interested stakeholders.
6 The Joint Applicants have confirmed that the Commission will continue to
7 exercise its regulatory authority over SCE&G in the same way it does today,
8 thereby ensuring continued protection of the interests of South Carolina
9 customers. Officers and employees of Dominion Energy, including SCE&G local
10 management, will continue to be accessible to regulators and lawmakers, including
11 the Commission. Further, Dominion Energy and SCE&G will continue to provide
12 information about Dominion Energy or its other subsidiaries relevant to matters
13 within the Commission's jurisdiction. Dominion Energy believes that its
14 commitments are clear that SCE&G will retain responsibility for local
15 management and therefore does not agree the additional commitments or
16 modifications proposed by Mr. Kollen are necessary.

17 **Q. ORS WITNESS KOLLEN RECOMMENDS THAT THE COMMISSION**
18 **ADOPT A MODIFIED CONDITION CONCERNING THE SCE&G**
19 **HEADQUARTERS AND LOCAL ACCESS TO MANAGEMENT AND THE**
20 **BOOKS AND RECORDS. DO YOU HAVE ANY COMMENT?**

21 A. Yes. Mr. Kollen recommends the Commission adopt a modified
22 commitment to "retain SCE&G headquarters in Cayce" and to "retain local access

1 to Dominion and SCE&G management, including local access to books and
2 records of SCE&G so that it includes local access to the books and records of
3 SCANA Services, Inc., and Dominion Energy Services, Inc., as well as any other
4 affiliate that provides services to and charges SCE&G and without limitation to
5 specific future ‘proceedings.’” As I previously stated, Dominion Energy and
6 SCE&G are committed to providing information about Dominion Energy or its
7 other subsidiaries relevant to matters within the Commission’s jurisdiction—
8 which would include the services companies and other affiliates that provide
9 services to SCE&G. In addition, officers and employees of Dominion Energy,
10 including SCE&G local management, will continue to be accessible to the
11 Commission. Dominion Energy fully appreciates the importance of an open,
12 transparent and collaborative relationship with regulators, and this philosophy will
13 remain in place at SCE&G. The modifications proposed by ORS are not
14 necessary to ensure local access to matters within the Commission’s jurisdiction.

15 **Q. MR. KOLLEN ASSERTS THAT THE APPLICANTS HAVE NOT**
16 **OFFERED ANY COMMITMENTS REGARDING LOCAL**
17 **EMPLOYMENT. PLEASE COMMENT.**

18 A. Mr. Kollen’s statement that the Joint Applicants have not made any
19 commitment regarding local employment is not accurate. As he recognizes
20 elsewhere in his testimony, Dominion Energy has made several commitments for
21 SCANA and SCE&G employees. Dominion Energy generally intends that
22 SCE&G employees will remain local and has no plans to materially change

1 operations. Specifically, Dominion Energy commits to maintain compensation
2 levels for employees of SCANA and its subsidiaries following the closing of the
3 merger until at least December 31, 2019, and will give employees of SCANA and
4 its subsidiaries due and fair consideration for other employment and promotion
5 opportunities within the larger Dominion Energy organization both inside and
6 outside of South Carolina. The appropriate mix of personnel to meet the current
7 and future needs of SCE&G will be maintained, and the Joint Applicants commit
8 to working collaboratively with ORS and the Commission to report on transition
9 efforts following the closing of the merger.

10 **Q. MR. KOLLEN CONCLUDES THAT “IT IS HIGHLY LIKELY THAT**
11 **MANY, IF NOT MOST, OF THE SCANA SERVICES, INC. EMPLOYEES**
12 **WILL BE TERMINATED OR TRANSFERRED TO RICHMOND, VA.” IS**
13 **THIS STATEMENT ACCURATE?**

14 **A.** No. As we have previously stated, after the combination, it is anticipated
15 that SCE&G will continue to receive some common services through SCANA
16 Services, Inc. (“SCANA Services”), and will benefit from other common services
17 received from Dominion Energy Services, Inc. (“DES”). Over time, as part of the
18 integration process, the corporate functions and the staffing levels will be
19 reviewed to determine those corporate functions that will remain local to support
20 business operations and those that will be centralized into a common service
21 company such that economies of scale consistent with Dominion Energy’s size
22 will be reached. Though we anticipate that shared services will be an area to

1 identify economies of scale in the provision of reliable and cost-effective service
 2 to customers, this does not necessarily mean that jobs will be moved to Richmond,
 3 Virginia. Rather, we anticipate that many support functions will remain in South
 4 Carolina.

5 II. AFFILIATE MATTERS

6 **Q. ORS WITNESS KOLLEN EXPRESSES CONCERNS REGARDING**
 7 **POTENTIAL AFFILIATE TRANSACTIONS AND RECOMMENDS THE**
 8 **COMMISSION ADOPT SPECIFIC CONDITIONS THAT WILL**
 9 **PRESERVE CUSTOMER BENEFITS AND PROTECTIONS, INCLUDING**
 10 **A “LEAST COST” STANDARD. PLEASE COMMENT.**

11 A. Mr. Kollen’s concerns regarding affiliate transactions are unfounded. As
 12 he notes, neither DES nor SCANA Services charge a return on costs, which is
 13 beneficial to customers.

14 More importantly, following the combination, affiliate transactions for
 15 SCANA and its subsidiaries, including SCE&G, will continue to be governed by
 16 the Commission’s Order No. 92-931 and S.C. Code Ann. § 58-27-2090, which
 17 include transfer pricing protections for the benefit of customers. Specifically,
 18 affiliate transactions would be subject to the requirement in Order No. 92-931 that
 19 “[g]oods and services sold or exchanged between SCE&G and SCANA or any
 20 subsidiary of SCANA must be transferred at a reasonable rate and with conditions
 21 consistent with the existing market prices and contract conditions for similar
 22 goods/services.” In addition, Order No. 92-931 provides that “[a]ll and any

1 affiliate preferences are prohibited. Any business or financial transaction between
2 regulated business entities and other subsidiaries should be conducted on an
3 unaffiliated basis, fully auditable, reflecting all costs and should not permit any
4 cross-subsidization.” The existing provisions governing affiliate transactions offer
5 benefits and protections to SCE&G’s customers, and these benefits and conditions
6 will be preserved in the future. The Joint Applicants do not believe that the
7 additional requirements proposed by ORS concerning affiliate transactions,
8 including the adoption of a “least cost” standard, are necessary to preserve these
9 benefits and protections for customers.

10 **Q. MR. KOLLEN ALSO RECOMMENDS A CONDITION THAT SCE&G**
11 **OBTAIN PRIOR COMMISSION APPROVAL “FOR ANY STRUCTURAL**
12 **REORGANIZATION.” PLEASE COMMENT.**

13 A. Dominion Energy has stated that it has no current plans to change the
14 organizational structure of SCE&G operations as a result of the combination. The
15 Joint Applicants are committed to maintaining SCE&G’s headquarters,
16 management team, and local control over operations in Cayce, South Carolina. As
17 with any business combination, there could be some staffing changes over time –
18 particularly on the shared services level. Any such changes will be driven by an
19 emphasis on providing an efficient and cost-effective service platform for SCE&G
20 and its customers – in other words, a benefit and not a harm. The Joint Applicants
21 have also committed to working collaboratively with ORS and the Commission to
22 report on transition efforts following the closing of the merger, and will seek prior

1 approval to the extent such matters fall within the scope of the Commission's
2 authority. ORS's proposed recommendation that SCE&G be required to seek
3 prior Commission approval for "any structural reorganization" is overly broad and
4 unnecessary in light of the Joint Applicants' commitments.

5 III. CUSTOMER SERVICE STANDARDS

6 **Q. ORS WITNESS BAUDINO EXPRESSES CONCERNS THAT DOMINION**
7 **ENERGY AND SCE&G HAVE NOT PROPOSED ANY QUANTIFIABLE**
8 **SERVICE QUALITY MEASURES THAT WOULD ENABLE THE**
9 **COMMISSION TO ENSURE THAT QUALITY OF SERVICE IS**
10 **ENHANCED AFTER THE COMBINATION. DO YOU HAVE ANY**
11 **GENERAL COMMENTS ON THE ISSUE OF CUSTOMER SERVICE?**

12 A. Yes, I do. Dominion Energy and SCE&G share a strong commitment to
13 service quality, and to meeting customers' needs in a safe, reliable, cost-effective,
14 and environmentally responsible manner. Superior customer service requires
15 adequate capital investments, proper protocols and the right people aligned with a
16 philosophy of continuous improvement. This commitment will equally apply to
17 the operation of SCE&G following the combination.

18 I disagree with the suggestion that quality of service may be diminished
19 following the combination or that the proper level of investments will not occur to
20 maintain excellent quality of service. Dominion Energy has a proven track record
21 of outstanding customer service, and this will continue with its operation of
22 SCE&G following the combination. As stated in the Application and in my direct

1 testimony, in connection with the combination, Dominion Energy has committed
2 to maintaining SCE&G's customer service at no less than current levels and will
3 strive for continued improvements to such service. This means that Dominion
4 Energy is committed to maintaining appropriate staffing and other resources
5 needed to deliver the same or better level of customer service, and to ensuring that
6 employees continue to receive the necessary training to be proficient in the tasks
7 they perform.

8 In addition, Dominion Energy has committed that it will not diminish
9 SCE&G's focus on installing, upgrading, and maintaining facilities necessary for
10 safe and reliable operations. Dominion Energy recognizes that the energy
11 business – whether electric or natural gas – requires capital investment to ensure
12 safe, reliable and cost-effective service to its customers. Since 2012, Dominion
13 Energy has invested over \$31 billion in capital to maintain and grow its electric
14 and gas infrastructure. This level of investment reflects our strong commitment to
15 deploy the necessary capital in our electric and gas businesses. Dominion Energy
16 will ensure appropriate resources are available to SCE&G to meet its obligations
17 to customers, as the Company does with its other energy businesses.

18 **Q. PLEASE SUMMARIZE MR. BAUDINO'S RECOMMENDATIONS**
19 **CONCERNING SERVICE QUALITY STANDARDS AND REPORTING**
20 **FOR SCE&G'S ELECTRIC OPERATIONS.**

21 A. For SCE&G's electric operations, Mr. Baudino recommends quality
22 standards to include SAIDI and SAIFI reporting, call center performance metrics,

1 and the adoption of a yearly plan for addressing the 5% worst performing feeders
2 on SCE&G's system.

3 Mr. Baudino also recommends the Commission require quarterly reporting
4 no less than three (3) months after the close of the Merger, and require a yearly
5 report with a plan for addressing SCE&G's 5% worst performing feeders on the
6 electric system. Mr. Baudino asserts that "[t]his should assist the Company and
7 the Commission in making sure that SCE&G is making consistent improvement in
8 it system reliability."

9 Mr. Baudino further recommends that SCE&G be required to file a detailed
10 report within six (6) months of closing the transaction "identifying opportunities
11 for improving the service quality of electric service to customers on SCE&G's
12 system," and that the Commission open a docket within two (2) years from the
13 filing of this report to evaluate SCE&G's progress on service quality.

14 **Q. PLEASE SUMMARIZE MR. BAUDINO'S RECOMMENDATIONS**
15 **CONCERNING SERVICE QUALITY STANDARDS AND REPORTING**
16 **FOR SCE&G'S GAS OPERATIONS.**

17 A. Mr. Baudino recommends the Commission require quarterly reporting of
18 certain service quality metrics commencing within six (6) months after the close of
19 the transaction and that the issue of gas service quality be addressed in the service
20 quality proceeding mentioned above for electric operations.

1 **Q. DOES DOMINION ENERGY BELIEVE THAT THE PROPOSED**
2 **SERVICE QUALITY REQUIREMENTS AND CONDITIONS SHOULD BE**
3 **IMPOSED ON THE MERGER?**

4 A. We would not oppose a requirement to monitor and report service quality
5 results for SCE&G's electric and gas operations to assure there is no degradation
6 in service quality levels. However, we disagree that service quality levels require
7 improvement or that a separate proceeding to address service quality
8 improvements is warranted or appropriate. There is no suggestion that SCE&G's
9 current provision of electric and gas service to customers on its system is deficient
10 in any respect. SCE&G Witness Mr. Kellar Kissam provides detail on SCE&G's
11 electric and gas performance levels. Further, Dominion Energy has committed to
12 maintaining SCE&G's customer service at no less than current levels and to strive
13 for continued improvements. As I stated in my direct testimony, Dominion
14 Energy and SCE&G have a shared commitment to customer and employee safety,
15 reliable and cost-effective service, environmental stewardship, and productive
16 relationships with customers, regulators, other governmental entities, and
17 interested stakeholders. Given the current level of service being provided to
18 electric and gas customers as described by Mr. Kissam, and the strong service
19 quality commitments made by the Joint Applicants, the conditions aimed at
20 service quality improvements should not be adopted.

1 **Q. ORS WITNESS SEAMAN-HUYNH RECOMMENDS IN SUPPLEMENTAL**
2 **TESTIMONY THAT THE COMMISSION CONSIDER INCLUDING**
3 **BENEFITS FOR SCE&G'S NATURAL GAS CUSTOMERS AS PART OF**
4 **APPROVAL IN THIS PROCEEDING. DO YOU HAVE ANY**
5 **COMMENTS?**

6 A. Yes, I do. Dominion Energy and SCANA are seeking Commission
7 approval of the business combination under its authority concerning electric
8 utilities in South Carolina, to the extent it is deemed to be applicable. The
9 Customer Benefits Plan and the associated merger commitments address the rates
10 of SCE&G's electric customers and its on-going operations to serve these
11 customers. For these reasons, we view the rates and service with respect to
12 SCE&G's natural gas customers to be beyond the scope of this current proceeding.
13 While we believe that the business combination will provide benefits to SCE&G's
14 natural gas customers, we have not addressed, and would not agree, that such
15 conditions should be directed by the Commission in this case.

16 Further, the specific recommendation made by Mr. Seaman-Huynh that the
17 Commission include in its final order a "Most Favored Nation" clause to
18 incorporate all benefits and protections approved in another jurisdiction is not
19 appropriate or warranted. First, the "Most Favored Nation" clause that has been
20 incorporated into the North Carolina Stipulation Agreement concerning the
21 combination of Dominion Energy and SCANA, the parent of Public Service
22 Commission of North Carolina, Incorporated ("PSNC"), is only applicable to any

1 protections provided to Dominion Energy North Carolina (“DENC”) and PSNC in
2 other jurisdictions. In addition, the protections proposed in that proceeding are
3 specific to the regulatory scheme in North Carolina, and are not necessarily
4 applicable to regulatory framework in South Carolina. Finally, the merger
5 between Duke Energy Carolinas, LLC and Progress Energy Carolinas, Inc.
6 referenced by Mr. Seaman-Huynh is not an appropriate comparison here. That
7 merger involved overlapping service territories in multiple states, and therefore the
8 inclusion of a Most Favored Nation clause was appropriate to provide the same
9 protections and benefits to the same customer base across all impacted
10 jurisdictions. Dominion Energy does not support the additional conditions
11 suggested by ORS Witness Seaman-Huynh.

12 **IV. RENEWABLE ENERGY, ENERGY EFFICIENCY**

13 **AND OTHER PROPOSALS**

14 **Q. CERTAIN INTERVENORS, INCLUDING WALMART AND CCL / SACE,**
15 **RECOMMEND THE COMMISSION ADOPT CONDITIONS OF THE**
16 **MERGER ASSOCIATED WITH RENEWABLE ENERGY**
17 **DEVELOPMENT AND ENERGY EFFICIENCY MEASURES. PLEASE**
18 **RESPOND.**

19 **A.** Dominion Energy is committed to investing in diverse energy infrastructure
20 to meet customers’ needs and improve reliability, while maintaining reasonable
21 rates and minimizing the effect on the environment. Indeed, as explained by
22 Walmart Witness Steve Chriss, Virginia Electric and Power Company, one of

1 Dominion Energy's regulated public utility subsidiaries, is currently engaged with
2 Walmart on the development of a voluntary green tariff for large customers known
3 as Schedule RG-Renewable Generation Supply Service tariff. As I stated in my
4 direct testimony, since 2013, Dominion Energy has invested \$3.6 billion to
5 develop, construct, and operate small- and large-scale solar facilities, including
6 over \$900 million in 2017. Nationally, Dominion Energy has over 2,900
7 megawatts of solar generating capacity in operation or under development in nine
8 states, including offtake agreements for the company's utility customers.
9 Dominion Energy has also invested in renewable energy projects in South
10 Carolina, with the development of the Solvay and Ridgeland solar facilities.
11 SCE&G Witness Mr. John Raftery testifies concerning SCE&G's current
12 renewable programs and the various stakeholder processes already in place to
13 evaluate and address these matters. While Dominion Energy and SCE&G share a
14 strong commitment to renewable energy and energy efficiency measures, we
15 believe that these matters are beyond the scope of this proceeding. As with
16 current SCE&G practices, renewable energy resource investments and energy
17 efficiency measures will continue to be evaluated and pursued in accordance with
18 prudent integrated resource planning principles and subject to stakeholder and
19 customer input, and Commission review and approval, in future proceedings
20 initiated for such purposes.

1 **Q. CCL / SACE WITNESS LANDER MAKES CERTAIN**
2 **RECOMMENDATIONS CONCERNING NATURAL GAS PIPELINE**
3 **INFRASTRUCTURE AND TRANSPORTATION CAPACITY NEEDS IN**
4 **SOUTH CAROLINA. ARE THESE MATTERS APPROPRIATE FOR**
5 **CONSIDERATION IN THIS PROCEEDING?**

6 A. No, they are not. The siting and construction of interstate natural gas
7 pipeline infrastructure is beyond the scope of this Commission's jurisdiction. In
8 addition, whether there is a need for additional natural gas transportation capacity
9 is not an issue in this proceeding and has no relevance to the proposed business
10 combination. These matters are not properly before the Commission in this case,
11 and should be disregarded.

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes, it does.